4-27-2016

UA3/9/7 Budget Reduction Plan

WKU President's Office - Ransdell

Budget Reduction Plan

Fellow Faculty and Staff:

With the final actions taken by the General Assembly on the 2016-18 Biennial Budget a few days ago, we now know the outcome of the variables that impact our campus budget decisions and can move promptly to implement our budget reduction plans. Another key variable is the Council on Postsecondary Education's setting of the maximum tuition rate increase for next year. Just yesterday, CPE voted to allow WKU to increase full-time, resident, undergraduate tuition by $216/semester or 4.65 percent.

Our revenue challenges are substantial. In addition to the state appropriation reduction, we must address the current year enrollment revenue decline and pay for our fixed cost increases, the largest of which is the 48 percent employer contribution increase to the Kentucky Employees Retirement System (KERS). Other increased costs are associated with normal business operations and include employee health insurance and related benefits; faculty promotions; utilities; contractual obligations—primarily those related to IT and facilities contracts; and scholarships. A preliminary detailed listing of our fixed cost increases is attached and is premised on a planning assumption that the tuition increase will be approximately 4.5 percent, or $215 per semester, consistent with CPE authorization.

The tuition increase will be dedicated to campus needs and a salary increase, but the total revenue generated from a tuition increase will not be sufficient to balance our budget with the planned salary increase and our fixed cost increases. However, we cannot expect our students to bear the full burden—they cannot afford it, and frankly our enrollment would likely suffer further if we increased tuition by a more substantial amount. WKU's hallmark is high value for reasonable cost. This tuition increase will enable us to address faculty and staff compensation and improve student success, and it ensures that we will continue to offer a strong return on student investment.

Regardless of our revenue challenges, I am committed to a salary increase for all full-time employees. Our plan is to phase in a 3 percent total salary increase over 12 months. We will fund a 1 percent salary increase effective July 1, 2016; another 1 percent increase effective January 1, 2017; and another 1 percent increase on July 1, 2017. I am committed to a 3 percent total increase, however, the phase-in is necessary because the equity funds that were approved in the state budget will not be available until July 1, 2017. It has been some time since our campus employees received a pay increase, and the equity funds are the primary means through which we will achieve the full 3 percent.

Once we account for tuition revenue, we will need to achieve a total reduction of $6,039,200 in order to have a balanced budget. An increase in tuition rates will not be used to offset these reductions. Given that we have already reduced our state appropriation by $15 million over the last decade and reallocated or reduced another $15 million in university funds in the last few years, there are no obvious or easy solutions. As I have indicated in recent months, an across-the-board approach is not practical at this time.

Over the last few months, we have worked diligently to identify program efficiencies, cost containment opportunities, and programs to be consolidated, reduced, or eliminated. We established a set of strategic priorities to guide this process (attached), but the primary goal has been to minimize job loss and protect academic credit-bearing programs and critical student services.

Although I cannot address each individual item in an email, we will achieve this $6,039,200 reduction through administrative reorganization of units within Academic Affairs and Student Affairs; shifting

some items from permanent funding to one-time funding; allocating a surcharge increase for online courses to the central budget; and through minimal program reductions and eliminations in several divisions. We are protecting filled faculty positions and credit-bearing academic programs.
A particularly difficult but necessary decision is to transfer our Building Services and Grounds employees to our private contract with Sodexo, just as our dining employees moved to a private contract with Aramark several years ago. Exceptions will be made for those employees who are near retirement eligibility. I met this morning with all of our BSA's and Grounds staff to inform them. All impacted employees will receive an hourly pay increase, health benefits, vacation, and sick leave from Sodexo, and no one will lose his or her job as a result of this action. Human Resources will work with each individual to assure a smooth transition.

Budget cutting is a painful and difficult process, and unfortunately, we have been faced with this nearly every year for the last decade. I know the campus is weary, as am I, of budget cutting. Our priority has always been to protect people, preserve academic quality, and maintain student services, and that continues to be my goal. The complete Budget Reduction Plan is attached. Each impacted unit has been informed of these actions.

In an effort to further address specific items, questions, and concerns, a campus forum is planned for tomorrow, Thursday, April 28, at 2:30 p.m. in the Downing Student Union Auditorium. Members of Administrative Council, staff from Human Resources, and I will be on hand to discuss these decisions and the broader impact to the campus and community.

I appreciate your continued patience and understanding as we work our way through these challenging budgetary conditions as thoughtfully as possible.
Thank you.
Gary A. Ransdell

Attachments:

1. Strategic Guiding Principles for Budget Reduction Decisions
2. FY2017 Budget Projection
3. Unavoidable Cost and Commitment Allocations
4. FY2017 Budget Reduction Plan

WKU

Dr. Gary A. Ransdell |President